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TAGS: [ECON](#) [EFIN](#) [ECPS](#) [PREL](#) [PGOV](#) [SOCI](#) [PINR](#) [KCOR](#) [JM](#)  
SUBJECT: JAMAICA: UNIVERSAL ACCESS FUND - A MEDDLING  
MINISTER AND ISSUES OF CONFLICT

REF: (A) 06 KINSTON 555  
(B) 06 KINGSTON 2121

#### SUMMARY AND ANALYSIS

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1.(SBU) Embattled Minister of Industry, Technology, Energy, and Commerce Philip Paulwell has found himself at the center of another controversy. The latest involves his alleged mismanagement of the Universal Access Fund and in particular the engagement of his personal advisor, Minette Palmer, as attorney to the Fund. To further compound matters, it was revealed that the same advisor and her husband are principals in a company to which the Minister recently issued a cellular license. The current controversy could hardly have come at a worse time for Paulwell and the ruling People's National Party (PNP), which has announced that the next general elections will be held Aug. 27. The political opportunity is not lost on the Opposition Jamaica Labor Party (JLP), which has been pressuring Prime Minister (PM) Portia Simpson-Miller (PSM) to take decisive action. But with Paulwell being a chief ally of PSM and with the PNP's history of support for its "comrades", Paulwell looks likely to live out another of his proverbial nine lives. End summary and analysis.

#### Universal Access Fund (UAF)

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2.(U) The UAF is a government entity set up to finance an E-learning project by way of a levy charged on telephone calls terminating in Jamaica. Since June 2005, all telecommunication carriers have been required to pay a levy of USD 0.03 and USD 0.02 per minute on incoming international calls terminating on fixed wired and cellular networks, respectively. To date, over USD 37 million has been collected, but the installation of internet facilities is yet to start in schools. This development is not surprising given the controversy surrounding the operation of the fund from the outset. While the board appointed by the Minister of Industry, Technology, Energy and Commerce (MITEC), Philip Paulwell, had representatives from the local telecom companies, it was initially chaired by the former Minister of Information and Development, Colin Campbell, a close confidant of Paulwell and PSM. (Note: Campbell was replaced by Dr. Herbert Thompson in 2006). To compound matters, the UAF engaged the legal services of Minnette Palmer, a board member and personal advisor to Paulwell, ostensibly to assist in the UAF's establishment, paying her almost USD 450,000 over a 19-month period.

3.(SBU) This was not well received by Auditor General Adrian Strachan, who, in his 2006 report to Parliament, pointed out that the operation of the UAF improperly excluded parliamentary control. He therefore advised the UAF to deposit the levy in the Consolidated Fund, in accordance with the requirements of the constitution. Strachan also raised concerns about the lack of a proper mechanism to verify whether the levy received by the UAF was the full amount due. But even after being advised by Jamaica's Solicitor General, Michael Hylton, that the levy should be paid to the Consolidated Fund, Paulwell's Ministry remained adamant that the fund remain under the watch of the UAF, apparently worried that any parting with the funds could agitate stakeholders. Ministry officials say that if the levy is paid to the GOJ, stakeholders might withhold payment, as the UAF is obliged to demonstrate that the levy is being used for the purpose for which it was set up.

4.(SBU) Strachan's position is well grounded, given the law as well as the many breaches uncovered in the payments made to Palmer. Strachan's audit revealed no evidence that: (1) a contract existed outlining agreed terms and rates for the legal services offered by Palmer; (2) payments were made on the basis of deliverables in keeping with written terms of engagement; and, (3) the selection of the legal services was done on a competitive basis or with the approval of the National Contracts Commission or cabinet. Incidentally, the Opposition Jamaica Labor Party (JLP) had previously called for parliamentary oversight and a revision of the board to remove the three telecoms firms since they were not the only players in the industry. The JLP was also incensed at the presence of Palmer on the board, given her conflicted position as attorney-at-law and director of the fund. In November 2006, the JLP also disclosed that at least one firm, People's Telecom, owed the fund USD 380,000 and has been pressuring the responsible Minister to address the issue. Chairman Herbert Thompson then admitted that there were actually two firms owing the fund almost USD 560,000.

#### Meddling Minister and Issues of Conflict

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5.(SBU) The issues of conflict deepened in subsequent months when it was discovered that Palmer was a director and her husband a principal in one of the firms owing the UAF. It was no surprise, therefore, that one telecom firm threatened legal action against the GoJ if it was not granted an equivalent payment holiday. Another smaller player claimed that the non-payment allowed the offending companies to price products at lower rates, giving them an unfair advantage. And before the dust could settle, news broke that Paulwell was yet again at the center of another scandal, involving, by this time, his former personal advisor. Paulwell announced, to much fanfare, the sale of a fourth cellular license, after extensive due diligence, to a company known as Solutrea Jamaica Limited for USD 7.5 million. But the sale was to eventually raise questions concerning conflict of interest and a failure to pay. When it became unclear that Solutrea had, in fact, paid for its license, the JLP seized upon the case. Shadow spokesman for Mining, Energy, and Telecommunications, Clive Mullings, discovered that the license was sold without all the required agencies agreeing to the sale. To compound matters, Mullings uncovered that Palmer was a shareholder of Wiiscom Technologies and a director of Solutrea, both of which were linked to the license. Mullings noted that the interlocking directorships raised serious concerns about the Minister's exercise of his responsibilities.

6.(SBU) Paulwell's belated response was equally controversial, calling the fiasco a storm in a tea cup. (Note: Solutrea subsequently has paid the USD 7.5 million by company check, but is requesting a guarantee from the Opposition that it will not revoke the license if it wins the election). Minister Paulwell also gloated about his ability to negotiate such a lucrative price, given the country has achieved 100 percent teledensity. Commenting on the conflicted position of his former personal advisor, the Minister dismissed it as a non-issue, suggesting that Palmer should not be disqualified given that she had declared her interest in Solutrea. He said once her interest was declared she ceased being his advisor and only provided advice to the Ministry when there was no one else capable. Paulwell said that instead of trying to create scandals where none exist, people should be grateful for the number of jobs the cellular license would create. The Minister also disclosed that another local telecoms company, Gotel would be offered a fifth

cellular license for USD 2 million to operate a CDMA network.

7.(SBU) Industry players were quick to question the process the Minister had used to issue the license to Gotel. The players are trying to get answers on whether the license had been again put to competitive tender and whether the proper due diligence and fit and proper checks had been carried out. The issue of pricing and the company's standing with the Spectrum Authority also have been raised.

Comment:

A History of Mismanagement and Scandal

8.(SBU) The foregoing is not surprising, given Paulwell's history of being both a conflicted and a meddling Minister:

(A) Only recently, Jamaica's Supreme Court handed down a ruling stating that the Minister had overstepped his bounds when he issued a ministerial order declaring that the telecoms regulator, the Office of Utilities Regulation, had no power to regulate rates.

(B) The court also ruled against him in his bid to get oil marketing companies to abide by the Weights and Measures Act.

(C) Paulwell also was also party to the conflict of interest case raised by Contractor General Gregg Christi involving a former PNP candidate, Barbara Clarke, whom Paulwell appointed to the board of the government-owned Petroleum Corporation, although she continued to be a major service provider to the company.

(D) From the mismanagement of the INTECH fund, from which a number of companies were given soft loans to set up call centers which never materialized, to the ill-fated NETSERV, which reneged on its commitment to provide 10,000 jobs, costing the country millions of dollars, Paulwell has been the common denominator in several other telecoms scandals.

(E) He was also at the center of the recent cement crisis, which temporarily crippled Jamaica's booming construction sector (Reftel A), as well as the Trafigura campaign financing scandal last year (Reftel B).

Note: Most of the above incidents of mismanagement also have involved Paulwell's sidekick and former State Minister and PNP General Secretary, and current Senator, Colin Campbell. End Note.

Comment:

But What Explains Paulwell's Survival?

9.(SBU) Despite Paulwell's seeming propensity to self-destruct and the mounting costs of his mistakes, he has been able to weather the storm, remaining intact in his "super" ministerial roles. His knack for survival appears to lie in his ability to forge loyal relationships with his superiors. The PNP is known to place a high premium on loyalty, which could explain why the party manages internal conflict so expertly. Former Prime Minister PJ Patterson is known to have told dissenting PNP members that he actually valued loyalty over performance, and therefore ascribed Paulwell's many follies to youthful exuberance. With the departure of Patterson from the political hierarchy, Paulwell gambled successfully in supporting Simpson-Miller for the presidency of the party, and was rewarded with an enlarged portfolio ministry. With this in mind, and with the PSM short on allies, there is little chance of his being axed now or anytime soon unless much greater transgressions emerge. He also has benefited from the PNP's history of supporting its "comrades" even in the face of public outcry.

Analysis: Implications nonetheless

10.(SBU) Notwithstanding, the current controversies could hardly have come at a worse time for Paulwell and the ruling PNP. Usually flamboyant and media savvy, Paulwell appears to be quietly smarting from this latest scandal, and suddenly has become media shy. In fact, reports suggest that PNP insiders not allied to Simpson-Miller are applying pressure internally and have even,

uncharacteristically, been feeding the media information on the issues. Nevertheless, Paulwell looks likely to live out another of his proverbial nine lives, continuing as a major player in the PNP's push for a fifth consecutive term, thus highlighting the depressingly widespread acceptance of incompetence. Even so, the timing (just six weeks before the election) gives the JLP something into which to sink its teeth. And the opportunity is not lost on them; the opposition has continued its public outcry and has been pressuring PSM to act decisively against the bumbling Minister. The extent of any fallout from this latest fiasco may only become evident on or after the Aug. 27 national elections.

End comment.

JOHNSON